

VERMONT PENSION INVESTMENT COMMITTEE
May 28, 2013

VPIC Members Present:

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

VPIC Member(s) Absent:

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

VPIC Alternate Members Present:

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

VPIC Alternate Member(s) Absent:

THOMAS MCCONNELL, VSTRS *Alternate*, term expiring June 30, 2013

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Pershing Johnson and Bill Griffin, Attorney General's Office

Chris Levell, and Doug Moseley, NEPC LLC

Linda Deliduka, alternate member of the VSTRS Board

Monica Chiren, Clerk

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, May 28, 2013 meeting to order at 8:30 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1: Agenda Approval, Announcements, Minutes of April 23, 2013
Regular Meeting**

The Chair, Mr. Rauh, briefly reviewed the agenda. Mr. Rauh indicated one change on the agenda would be that the review of the revised draft of the ESG Policy would be discussed before the Investment Guidelines discussion. In response to Mr. Altemus' request the Chair, Mr. Rauh, indicated the Committee would discuss the NEPC conference at some point during the meeting.

On a motion by Mr. Jeffrey, seconded by Mr. Hooper, the Committee unanimously approved the minutes of the April 23, 2013, Regular Meeting, as submitted.

ITEM 2: Director of Investments Report and Action Items

- **Risk Management Follow-Up**
- **Review April Flash Report**

Mr. Considine indicated as of April 30, 2013 the total VPIC assets under management were \$3.76 billion. Mr. Considine indicated as of May 31st the VPIC's portfolio allocation is projected to be 34.3% equities, 31.9% fixed income, 13.5% alternatives and 20.2% multi-strategy, compared to target allocations of 32%, 32%, 16% and 20% respectively. The Committee discussed the March and September rebalancing and whether rebalancing should be done more frequently. It was indicated staff would explore this item further and provide the Committee proposals in the future.

Mr. Considine reviewed with the Committee the Up/Down portfolio analysis. There was a discussion about stocks and bonds. Mr. Considine reviewed with the Committee members the risk decomposition charts, the scenario tests and an attribution analysis relative to the policy benchmark for the first quarter of 2013. Mr. Considine responded to the questions posed by the Committee members. Mr. Considine took note of any changes the Committee suggested to the information he presented.

Ms. Green reviewed with the Committee the revised pages of the Proxy Guidelines that were approved at the last meeting. Mr. Considine provided the Committee the status of the contracts that were included in the quarterly review.

Mr. Moseley reviewed with the Committee the April Flash Report and responded to any questions and suggestions posed by the Committee.

ITEM 3: Discussion Items/Updates

- **Vermont State Treasurer's Update**
- **Contract Updates**
- **NEPC Investment Manager Watch List Update: Post Advisory, Wellington EMD**

Ms. Pearce indicated the miscellaneous retirement bill has been signed by the Governor. Ms. Pearce indicated all three boards have approved the extension of the actuarial services contract from June 30th to November 30th, and that an RFP would need to be done for actuarial services this year. Ms. Pearce discussed GASB 67 and 68 with the Committee.

Ms. Johnson indicated they have already discussed the quarterly contracts.

Mr. Moseley provided NEPC's recommendation regarding Post Advisory.

On a motion by Mr. Hooper, seconded by Mr. Jeffrey, the Committee unanimously agreed to authorize NEPC to conduct a search for new high yield managers.

Mr. Moseley indicated they had no update on Wellington EMD, and that there was a meeting scheduled for next week with them.

(Mr. Wisloski left the meeting.)

ITEM 4: Q1 Portfolio and Investment Manager Performance Review

NEPC reviewed with the Committee the *Investment Performance Analysis* document. NEPC reviewed the performance of the Employees' system in detail. NEPC responded to the questions posed by the Committee members.

(Mr. Gaffney arrived during this agenda item.)

The Committee discussed the NEPC conference and their thoughts about the presentations.

(A luncheon recess was taken from 11:55 a.m. to 12:35 p.m.)

(Mr. Griffin arrived after the luncheon recess.)

ITEM 5: Review Revised Draft of ESG Policy

Ms. Green reviewed with the Committee the requested changes to the ESG Policy from the last meeting. The Committee provided further amendments to the ESG Policy.

On a motion by Ms. Pearce, seconded by Mr. Altemus, the Committee unanimously agreed to accept and adopt the Environmental, Social and Governance Initiatives Policy with the suggested amendments.

ITEM 6: Investment Guidelines

- **VPIC Mission**
- **Review Policy Guidelines for Separate Account Managers**

The Committee reviewed the *VPIC Investment Policy and Investment Manager Guidelines*. Committee members provided amendments to the document. It was indicated the staff would further review this item and report back to the Committee in July.

(Ms. Pearce left the meeting at this time.)

ITEM 7: Economic and Financial Market Dashboard

Mr. Considine reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

ITEM 8: Public Comment/New or Other Business

None.

ITEM 8: Adjournment

The Chair, Mr. Rauh declared the VPIC meeting adjourned at 1:40 p.m.

Respectfully submitted,

Monica Chiren, Clerk